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NEWS RELEASE

MAYOR SANDERS PRAISES COUNCIL ADOPTION OF CDBG REFORMS

Reforms Will Lower Monitoring Costs, Better Serve National Objective to Help Low- and Moderate-Income Individuals

Mayor Jerry Sanders today praised the City Council for its adoption of his first phase of recommended changes to the City's Community Development Block Grant (CDBG) program to help bring it into compliance with federal Housing and Urban Development (HUD) regulations. HUD oversees the CDBG program which annually returns approximately \$15 million to San Diego for use on approved programs in qualifying low- to moderate-income census tracts.

In August 2007, the City received notice from HUD of its concerns regarding the City's compliance with HUD regulations, and in response, it was determined, among other things, that Council Policy No. 700-02 (CDBG program) would need to be amended. Two of HUD's primary concerns were with the amount of overhead the City spends managing a large number of small contracts, as well as with the funding of projects that don't meet HUD's national objectives.

Working closely with Councilmember Toni Atkins, the Mayor created a CDBG Task Force late last summer to explore and recommend potential reforms to the process. The Task Force met a number of times before ultimately agreeing on a series of reforms that they initially presented to the Audit Committee on November 19, 2007. Presentations to the Budget Committee, which Atkins chairs, were conducted on December 6, 2007, and January 8, 2008, with the matter being docketed before the full Council today.

"The cooperation from the City Council today will greatly help reform a program that has needed improvement for years," said Mayor Sanders. "I want to thank Councilmember Atkins for working with me to help take these reforms forward to the City Council for their review and consideration."

The reforms approved by Council today will revise Council Policy 700-02 (CDBG Program) by adding the following language:

1. No allocation of CDBG funds will be made to a project for which a CDBG application has not been received by the City.
2. No allocation of CDBG funds will be made to a project of less than \$25,000, unless funding at a lesser amount is necessary to complete a project.
3. A Community Based Development Organization (CBDO) certification process will be conducted in an effort to fund eligible project activities, as defined in the applicable U.S. Department of Housing and Urban Development regulations.
4. No allocation of CDBG funds will be made to a subrecipient project in the category of "Planning," except for those subrecipients certified by the City as a Community Based Development Organization.
5. All CDBG applicants shall attend mandatory workshops hosted by City staff during the annual CDBG application period.
6. All CDBG funds allocated to projects shall be used within three years of the date of the allocation, or such funds are subject to being reprogrammed by the City Council.

"I look forward to working with the Council to implement more long term reforms over the next year that will fully implement the changes needed for the program to ensure that these dollars are used to their full potential to benefit low- and moderate-income residents," said Sanders. "We need to make sure we continue working on reforms that will allow us to develop a comprehensive strategic plan that prioritizes allocations based on community needs and creates performance measurements to make sure the funds are being effective."

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